

**The Impacts of the Fairfax County Public Schools' FY 2017
Budgeted Outlays on the Fairfax County Economy**

By

Stephen S. Fuller, Ph.D.
Dwight Schar Faculty Chair and University professor
Senior Advisor and Director for Special Projects
Center for Regional Analysis
George Mason University
Arlington, Virginia

Prepared for

Fairfax County Public Schools

August 2016

The Impacts of the Fairfax County Public Schools' FY 2017 Budgeted Outlays on the Fairfax County Economy

Summary of Key Economic Impacts

The Fairfax County Public Schools (FCPS), in addition to providing high quality education to almost 190,000 students, is one of the most important sources of economic activity within the County. FCPS is Fairfax County's largest employer with approximately 27,200 full and part-time employees accounting for 4.1 percent of the countywide employment base and its budgeted FY 2017 spending in the County will generate \$2.2 billion in economic activity accounting for 2.0 percent of the County's gross county product, making FCPS the second largest source of economic activity in the County following the federal government.

FCPS' budgeted FY 2017 outlays total \$3.0 billion: \$178.8 million for capital projects and \$2.8 billion for operations including \$1.72 billion for payroll and \$766.8 million for retirement and health insurance benefits. These outlays are the source of important economic benefits that support a broad base of local businesses and generate additional jobs and income to the benefit of Fairfax County residents.

- 67% of FCPS' payroll outlays or \$1.15 billion are made to employees residing within Fairfax County and 51.5% of all contractor payments are made to vendors located in or conducting their work in Fairfax County;
- FCPS will spend \$1.85 billion in Fairfax County during FY 2017, 62% of its total budget;
- FCPS' direct spending in Fairfax County will contribute \$2.2 billion to the County's economy reflecting a multiplier of 1.198 (which accounts for the loss of spending power due to payment of income taxes on payroll earnings as well a leakage of local earnings into regional, national and global economies);
- FCPS's outlays within the Fairfax County economy will support an additional 13,271 full-time, year-round equivalent jobs spanning a broad-base of businesses of which an estimated 57.2% or 7,587 would be located in the County and generate \$417.3 million in new personal earnings to the benefit of workers residing in Fairfax County; and,
- FCPS's annual outlays in Fairfax County will support directly and indirectly almost 35,000 jobs in Fairfax County accounting for 5.3% of the County's at-place employment in 2016 with a combined payroll (personal earnings) totaling \$1.6 billion to be recycled and re-spent in support of the local economy.

The Impacts of the Fairfax County Public Schools’ FY 2017 Budgeted Outlays on the Fairfax County Economy

Executive Summary

The Fairfax County Public School (FCPS) is a major source of economic activity within Fairfax County. These economic benefits result from FCPS’ annual expenditures for operations—educational programs and facilities including outlays for repairs and maintenance and its capital spending for new construction, renovation and major equipment purchases. These expenditures generate employment and personal earnings—wages and salaries—and they support a broad base of local businesses that supply goods and services in support of FCPS’ mission.

These direct operating and capital expenditures generate secondary and induced economic benefits as a result of the flow of payroll and business revenues through the Fairfax County economy. When these monies are re-spent, they support business activity and jobs spanning the breadth of the County’s economy with local retail and consumer service businesses realizing a major share of these sequential and cumulative benefits. As a result of these direct and indirect (and induced) economic benefits, FCPS is one of the County’s largest “businesses” accounting directly for 4.1 percent of Fairfax County’s employment base in 2016 (its largest employer) and 2.0 percent of its estimated 2016 gross county product (second behind the federal government).

These economic impacts that will flow from FCPS’ FY 2017 outlays are identified and quantified in this research report. These expenditures will include \$178.8 million for capital outlays and \$2.8 billion of annual operations for a total of \$3.0 billion in direct outlays during FY 2017. Of these total annual outlays, FCPS’ workforce residing in Fairfax County and its contractors located or performing their work in Fairfax County will account for \$1.85 billion or 62 percent of this direct spending. FCPS’ outlays in Fairfax County will contribute a total of \$2.2 billion to Fairfax County’s gross county product (GCP), the total value of goods and services produced by the County’s economy.

This direct spending and its re-spending within the County’s economy will generate an additional \$417.3 million in personal earnings—wages and salaries—beyond FCPS’ direct payroll payments that will accrue to workers residing within the County, supporting an estimated 7,587 local full-time, year-round equivalent local jobs, beyond the 27,193 full and part-time workers employed by FCPS accounting for a combined 5.3 percent of the County’s at-place employment base.

Key findings of this research are:

- FCPS is the largest employer in Fairfax County with 27,193 regular and hourly employees and a total payroll of \$1.72 billion; FCPS employees who reside in Fairfax County account for 67% of these payroll outlays; and,
- The economic impact of FCPS' payroll outlays captured in Fairfax County and FCPS' outlays for employee benefits, outlays for contractor provided goods and services, and capital outlays during FY 2017 will contribute \$2.2 billion to the Fairfax County economy, representing 2.0% of all economic activity in the County (only second to the impact of federal spending), generate new personal earnings totaling \$417.3 million and support a total of 13,271 jobs with an estimated 7,587 of these jobs or 57.2% being located in Fairfax County, jobs spanning the breadth of the local economy reflecting the spending patterns of FCPS' resident workforce.

These benefits captured within the Fairfax County economy extend to the economies of other Virginia jurisdictions and to the Commonwealth of Virginia's economy as a result of FCPS' employees residing outside of Fairfax County and FCPS' vendors and suppliers being located elsewhere within the Commonwealth. In total, 94.5 percent of all FCPS employees reside within the Commonwealth of Virginia; only 5.5 percent live in the District of Columbia, Maryland or any other state. As a result of this high retention rate and the 82 percent of all FCPS' contractor outlays being captured by Virginia businesses or for work being conducted within the state by out-of-state contractors, FCPS' economic impacts on the Commonwealth of Virginia are significant, reflecting a multiplier of 1.55.

FCPS' FY 2017 budget will generate \$4.0 billion to the benefit of Virginia's economy, a gain of \$1.85 billion or 83.6 percent of additional benefits beyond those retained within the Fairfax County economy. In addition to this statewide contribution to the Commonwealth's economy, FCPS' FY 2017 outlays will support 29,335 jobs beyond its own workforce with an estimated 14,900 of these jobs being located in the Commonwealth and held by residents of the Commonwealth representing new personal earnings (taxable labor income) totaling \$819.8 million. These economic benefits are summarized in Table 1.

FCPS' FY 2017 budget, besides supporting the essential educational services that contribute to Fairfax County's reputation as the best place to live and raise a family within the Commonwealth of Virginia and as having the best-educated workforce in the state, also constitutes a major source of economic activity. In addition to FCPS' direct employment and payroll, this annual spending for capital projects and facility and program operations has been shown to support directly and indirectly almost 35,000 jobs in Fairfax County accounting for 5.3 percent of Fairfax County's at-place employment with a combined payroll (FCPS and jobs supported indirectly as a result of the local spending by FCPS and its employees) estimated to total \$1.6 billion being realized by workers residing within Fairfax County.

Table 1

Summary of Economic Impact of FCPS' FY 2017 Budgeted Outlays
on Fairfax County and the Commonwealth of Virginia
(in millions of 2016 dollars)

| Jurisdiction And Type | Total Outlays ¹ | Direct Outlays ² | Total Output ³ | Personal Earnings ⁴ | Jobs Supported ⁵ |
|--------------------------|-------------------------------|--------------------------------|------------------------------|-----------------------------------|--------------------------------|
| Fairfax County | | | | | |
| Capital Outlays | \$178.8 | \$126.3 | \$181.7 | \$34.5 | 662 |
| Operations | \$2,807.0 | \$1,723.3 | \$2,030.9 | \$382.8 | 12,609 |
| Totals | \$2,985.8 | \$1,849.6 | \$2,212.6 | \$417.3 | 13,271 |
| All Virginia | \$2,985.8 | \$2,628.4 | \$4,061.7 | \$819.8 | 29,335 |

Sources: FCPS; GMU Center for Regional Analysis

¹total budgeted outlays by FCPS for FY 2017.

²direct outlays by FCPS in its FY 2017 budget retained within the jurisdiction.

³the total value of goods and services generated directly and indirectly as a result of FCPS' annual capital and operating outlays.

⁴the additional earnings generated from the new economic activities supported by FCPS' capital and operating outlays.

⁵the additional new local and non-local jobs supported by the spending and re-spending of FCPS' capital and operating outlays.

As a source of direct and indirect employment and a generator of personal earnings for workers residing in Fairfax County and business revenues for county-based businesses, the importance of these benefits is captured by their accounting for 2.0 percent of Fairfax County's estimated 2016 gross county product. This magnitude of total economic impact and source of overall economy activity, jobs and personal income, establishes FCPS as the County's second largest source of economic activity in 2016 following the Federal Government.

The Impacts of the Fairfax County Public Schools’ FY 2017 Budgeted Outlays on the Fairfax County Economy

Introduction

The expenditures made by the Fairfax County Public Schools (FCPS) for its annual operations, including payroll, and construction outlays for new and renovated facilities constitute a major source of economic activity that contributes to the County’s vitality at an order of magnitude exceeding the initial value of these expenditures. It is the objective of the research reported herein: (1) to identify the sources and magnitudes of FCPS’ expenditures as shown in its FY 2017 budget, (2) to calculate the value of the impacts of these expenditures on the County’s economies in terms of their contribution to economic growth, the generation of personal earnings (labor income) and the direct and indirect jobs supported, and (3) to assess the significance of these impacts to the Fairfax County economy’s performance.

While the value of these annual expenditures, as measured by the direct employment and business activity they support and the life-long societal benefits resulting from a high-quality education, can be shown to be significant without considering the secondary and induced benefits that these direct expenditures generate, it is important to understand the full range and magnitude of these benefits as they spread out through the local economy as well as the broader statewide economy as part of an informed budget discussion. The total economic impact of FCPS’ direct annual spending for construction and operations is the sum of these outlays plus their subsequent effects on the County’s economy as these dollars are re-spent multiple times for the purchases of goods and services provided within Fairfax County and across the Commonwealth.

The aggregate value of this direct and indirect spending can be measured by applying appropriate economic multipliers calculated by the U.S. Bureau of Economic Analysis for Fairfax County and for the Commonwealth of Virginia. Additionally, the resultant generation of new personal earnings—wages and salaries—accruing to workers residing within Fairfax County and elsewhere in Virginia and the number of jobs supported locally and elsewhere within the economy, can be calculated by applying these respective county- and state-level multipliers.

The magnitudes of these economic impacts are determined by the geographic size of the county (or state), its proximity and interdependency with other counties (or states), and the complexity of their respective economies. Larger counties with more complex economies, such as Fairfax County, retain a higher percentage of the initial outlays than smaller and less complex counties and, therefore, realize a greater overall impact or benefit from these local expenditures. The same is true for the Virginia economy.

The results of these economic impact analyses of FCPS' FY 2017 budget on Fairfax County and on the Commonwealth of Virginia will provide additional understanding of the returns-on-investment associated with FCPS' operating and capital expenditures. These economic benefits are additive to the general educational benefits and the longer-term and accumulating benefits that accrue from building a strong and competitive workforce to support Fairfax County's economic vitality and future growth. Combined, these short- and long-term economic benefits that will accrue to Fairfax County's residents from having a quality educational system that underpins the high quality-of-life in the County constitute one of Fairfax County's principal competitive advantages responsible for attracting the new residents and business investment necessary to support Fairfax County's future economic growth.

The Employment and Business Impacts of Fairfax County Public Schools

The economic impacts resulting from the payments made by the Fairfax County Public Schools—their incidence and magnitudes—are governed largely by place of residence of the recipients of these outlays, the type of outlays made, and the complexity of the economy within which the initial outlays are re-spent. These distributions for FCPS' workforce and its payroll benefit payments and contractors, based on the most recently available data, are presented in Table 2 on the following page.

In the case of outlays made by the Fairfax County Public Schools, approximately 86 percent of these are paid directly in the form of payroll (wage income) or as benefits to its workforce in the form of retirement contributions or health and life insurance benefits; these benefits are returned to the workforce either in the current period as reimbursement for medical or dental services within the recipient's local economy or as retirement payments (income) at a later date. In the case of retirement benefits, inclusive of social security payments, the actual value of benefits reported as returned to retired FCPS employees was used in this analysis understanding that future retirement receipts will be paid from current-year contributions and are likely to be greater than those paid in the current year from historic contributions (the number of FCPS retirees will be larger in future years and payments will be larger due to expanded retirement plan options).

The contract services provided for in the FCPS budget, including capital outlays, purchases of materials and supplies, maintenance, training, utilities, and leases, account for approximately 14 percent of FCPS' outlays after adjustments for the place of performance of these services, as distinguished from the billing or corporate address of the contractor.

The payroll and contractor distributions show that the majority of FCPS' budget outlays are captured within Fairfax County's economy: 66.9% of payroll and 51.5%

of contractor dollars for a combined 62.0% of total annual FCPS outlays. Northern Virginia jurisdictions surrounding Fairfax County capture most of the remainder of these annual outlays (28.1%) and the Commonwealth of Virginia in total will capture 88 percent of FCPS' direct outlays inclusive of the large percentage retained in the Northern Virginia and Fairfax County economies.

Table 2

Fairfax County Public Schools Workforce Payroll and Contractor Payments
by Places-of-Residence¹ and Places-of-Performance²
(percent of FCPS recent-year expenditures)

| Jurisdiction | FCPS Employees ¹ | FCPS Contractors ² |
|--------------------------------------|-----------------------------|-------------------------------|
| Fairfax County | 65.0 | |
| Falls Church | 0.4 | |
| Fairfax City | 1.5 | |
| Fairfax County Plus ³ | 66.9 | 51.5 |
| Alexandria City | 3.4 | |
| Arlington County | 4.5 | |
| Loudoun County | 6.9 | |
| Prince William County | 9.3 | |
| Other Northern Virginia ⁴ | <u>3.5</u> | <u>30.9⁵</u> |
| All Northern Virginia | 94.5 ⁶ | 82.0 ⁶ |
| Other States | <u>5.5</u> | <u>18.0</u> |
| Totals | 100.0 | 100.0 |

Sources: FCPS and GMU Center for Regional Analysis

¹payroll (wage and salary) payments by employees' places-of-residence.

²location where contracted work was performed, where outlays for contracted services entered the economy; includes health insurance and retirement benefits reported by place of recipient (not initial vendor).

³measurement of the Fairfax County economy includes its independent cities

⁴Culpeper, Clarke, Fauquier, Stafford, Spotsylvania, and Warren Counties and the independent cities of Fredericksburg, Manassas, and Manassas Park.

⁵includes all of Northern Virginia less Fairfax County, Falls Church and Fairfax City.

⁶FCPS' payroll and contractor outlays in Northern Virginia account for all of the direct statewide distribution of these outlays.

The types of outlays and the jurisdictions of receipt affect the magnitude of their economic impact. Payroll is largely re-spent after adjustments for taxes and savings with the bulk of this spending being for local goods and services and housing. This pattern of re-spending for current payroll is similar for retirement benefits and how these are re-spent in the local economy. Each type of outlay can be matched with

related sectors in which these monies will be re-spent: retail, utilities, health services, transportation, housing, recreation, food services, construction and so on. Health and dental benefits tend to be spent locally for their designated purposes enabling their economic impacts to be tracked.

Each category of spending or re-spending has a unique multiplier, calculated for Fairfax County and the Commonwealth of Virginia (all state and county jurisdictions have unique multipliers). These are calculated by the U.S. Bureau of Economic Analysis, Department of Commerce, using its RIMS II Model and were updated most recently in the second half of 2015. These multipliers provide the capacity to determine for all of FCPS' outlays their respective total impact on Fairfax County's economy—its gross county product, the personal income that would be generated to the benefit of workers residing in the County (this in labor income generated by employment supported by the re-spending of payroll by FCPS employees and employees of FCPS' contractors in Fairfax County), and the total number of year-round, full-time equivalent jobs that FCPS' outlays would support locally, regionally or anywhere (in the case of Fairfax County, approximately 57 percent of these indirect and induced jobs are in the local economy).

Multipliers reflect the complexity of the economy that is being measured. The larger and more complex the economy—the more self-sufficient—the greater the retention of the initial outlay as it is re-spent and re-spent multiple times before it all has leaked out of the local economy. Fairfax County with its estimated \$113.6 billion gross county product (GCP) in 2016 is the second largest (after the District of Columbia) but most diverse and complex economy in the Washington metropolitan area and, as a result, retains more of FCPS' outlays than would be the case for other Virginia jurisdictions in retaining the outlays to operation of their Public Schools. As the Commonwealth of Virginia has a larger (geography matters, too) and more diverse economy than any of its constituent counties, its multipliers are larger as it retains a greater share of the re-spending of any local initial outlay.

These larger state-level multipliers include the county-level impacts plus those that are generated by direct outlays occurring in other counties within the Commonwealth, as well as the greater capture rate due to the geographic size and economic scale of the state economy. For example, the economic impact of outlays for construction in Fairfax County is 1.3276; that is, for each new dollar of construction outlay, the County economy gains \$1.33, or \$0.33 in addition to the initial \$1 in construction outlay. For this same dollar in construction spending in Fairfax County, the Commonwealth of Virginia economy will realize a total economic impact of \$1.9499, or \$0.95 in addition to the initial \$1 in construction spending.

The economic impacts of FCPS' FY 2017 budget can be calculated based on its distribution of outlays by type and by location (Fairfax County and Virginia) by applying the appropriate multipliers for each category of outlay for Fairfax County and the Commonwealth of Virginia. The results of these analyses are reported on the following pages and summarized in Tables 3 and 4.

Impacts of FCPS' FY 2017 Outlays on the Fairfax County Economy

The FCPS FY 2017 budget consists of expenditure projections for payroll, wages and salaries, benefits, purchases from vendors for materials and supplies, maintenance, utilities, capital outlays, and others. Together, these budgeted expenditures total \$3.0 billion. For purposes of this economic impact analysis, these budgeted expenditures are disaggregated into their principal components as each category of outlay has its own unique multiplier to calculate how these respective expenditures will cycle through the Fairfax County economy. The economic impacts resulting from the outlays budgeted for FY 2017 are presented in Table 3.

Table 3

The Economic Impact of FCPS'
2017 Budgeted Outlays on Fairfax County
(in millions of 2016 dollars)

| Budget Category | Total Outlays ¹ | Direct Outlays ² | Total Output ³ | Personal Earnings ⁴ | Jobs Supported ⁵ |
|----------------------|----------------------------|-----------------------------|---------------------------|--------------------------------|-----------------------------|
| Capital Outlays | \$178.8 | \$126.3 | \$181.7 | \$34.5 | 662 |
| Payroll, W&S | \$1,719.8 | \$1,150.5 | \$1,237.2 | \$206.5 | 7,723 |
| Benefits-Retirement | 495.5 | 211.1 | 227.0 | 37.9 | 1,417 |
| Benefits-Health Ins. | 271.3 | 181.5 | 280.3 | 68.5 | 1,302 |
| Contractor Services | 257.3 | 132.5 | 210.6 | 51.4 | 1,593 |
| Other Outlays* | 63.1 | 47.7 | 75.8 | 18.5 | 574 |
| Total Operations | \$2,807.0 | \$1,723.3 | \$2,030.9 | \$382.8 | 12,609 |
| Total Budget | \$2,985.8 | \$1,849.6 | \$2,212.6 | \$417.3 | 13,271 |

Sources: FCPS; GMU Center for Regional Analysis

¹total budgeted outlays by FCPS for FY 2017.

²direct outlays by FCPS in its FY 2017 budget retained in Fairfax County.

³the total value of goods and services generated directly and indirectly as a result of FCPS' annual capital and operating outlays.

⁴the additional earnings generated from the new economic activities supported by FCPS' capital and operating outlays.

⁵the additional new local and non-local jobs supported by the spending and re-spending of FCPS' capital and operating outlays.

*Other includes county charges, equipment leases and contingency.

Capital outlays budgeted for FY 2017 total \$178.8 million with an estimated 70.6 percent of these outlays taking place, and being captured, within the Fairfax County

economy. For each \$1.00 spent for building construction and renovation and related costs including engineering and design, Fairfax County's economy will benefit by a total of \$1.44; that is, its gross county product is expanded by 1.44 times the value of the initial construction outlay. Additionally, the labor income of workers residing in Fairfax County is increased by \$0.27 for each dollar of direct construction spending in the County and 5.2 jobs (year-round, full-time equivalent) are supported for each \$1 million in capital outlay. Applying these multipliers to the FY 2017 budget for capital outlays yields the total economic impact associated with that budget line. FCPS' \$126.3 million in proposed school and related capital outlays in FY 2017 occurring in Fairfax County will contribute a total of \$181.7 million to the County's GCP over the period during which this work is accomplished, it will support 662 full-time equivalent, year-round jobs (476 or 71.9% of these jobs would be in Fairfax County), and generate a total of \$34.5 million in new personal earnings for workers residing in Fairfax County.

The FCPS' FY 2017 budget includes \$1.720 billion in payroll payments with \$1.15 billion or 66.9 percent being directly captured within the Fairfax County economy. Other categories shown include benefits broken down into retirement and health insurance (includes dental insurance and life insurance), contractor services (including utilities, rentals, travel, and training), and other outlays (equipment leases, county charges, contingency). Combined, these categories constitute annual operating outlays and represent outlays totaling \$1.7 billion that are captured within the Fairfax County economy.

With an aggregate multiplier of 1.18 (this multiplier accounts for the loss of spending power due to payment of income taxes on payroll earnings as well as leakage of dollars into the regional, national and global economies), these direct outlays will contribute \$2.0 billion to the County's GCP. Additionally, they will generate \$382.8 million in new personal earnings (labor income) to the benefit of workers (indirect and induced) residing in Fairfax County and will support 12,609 year-round, full-time equivalent jobs across all sectors of the economy. Approximately 7,111 or 56.4 percent of these jobs would be expected to be located within Fairfax County.

The economic impacts of FCPS' combined FY 2017 capital and operating budget on Fairfax County result from the direct outlays totaling \$1.85 billion captured within the County due to it being the place-of-residence of two-thirds of FCPS' workforce and it being the place-of-work of slightly more than 50 percent of the outlays associated with FCPS' contractors. This \$1.85 billion, roughly 62 percent of the total budget for FY 2017, will contribute \$2.2 billion to the County's Gross County Product (GCP) reflecting a combined multiplier of 1.1981, and will generate new personal earnings totaling \$417.3 and support 13,271 jobs locally and elsewhere with an estimated 7,587 or 57.2 percent of these being located within Fairfax County.

FCPS's direct outlays totaling \$1.85 billion to the benefit of Fairfax County during FY 2017 will:

- contribute \$2.2 billion to the Fairfax County economy;
- generate \$417.3 million in new personal earnings to the benefit of workers residing in Fairfax County beyond the direct payroll payments to FCPS' employees provided for in the budget; and,
- support a total of 13,271 full-time, year-round jobs locally and elsewhere with an estimated 7,587 or 57.2% of these jobs being held by workers residing in Fairfax County.

Impacts of FCPS' FY 2017 Outlays on the Commonwealth of Virginia Economy

The magnitudes of the economic impacts of FCPS' FY 2017 outlays on the Commonwealth of Virginia reflect its larger and more expansive economy that enables it to retain a greater proportion of FCPS' direct outlays and the economic benefits of FCPS' spending during FY 2017. These economic impacts include those impacts captured in Fairfax County from FCPS' outlays occurring in Fairfax County as reported in Table 3, but measure the resulting economic impacts at the state-level.

Twenty-eight percent (27.6%) of FCPS' workforce resides outside of Fairfax County and elsewhere within Virginia. These FCPS employees have a payroll totaling \$474.7 million. Additionally, 30.9 percent of FCPS' contracting outlays accrue to locations elsewhere in the State for work and/or services provided to the Fairfax County Public Schools. As a result, \$778.8 million of FCPS' annual spending is captured and recycled at the state level beyond the boundaries of Fairfax County in addition to the \$1.85 billion in FCPS outlays taking place in Fairfax County. The extra benefits of these FCPS outlays at the state level are reflected in the State having larger multipliers than Fairfax County for each sector. These differences are seen in a comparison of the economic impacts that are calculated for FCPS' FY 2017 budget that would be captured in Fairfax County (Table 3) and the economic benefits captured by the Commonwealth of Virginia (Table 4). It should be noted that these state-level economic benefits include those captured in Fairfax County and are not in addition to these county-level benefits.

The Importance of FCPS as a Source of Economic Impacts

Fairfax County Public Schools (FCPS) is a major source of direct and indirect (and induced) employment within the County. Additionally, FCPS is a major source of economic activity that supports the County's local business base generating

additional employment and personal earnings—wages and salaries—to the benefit of workers residing within the County.

Table 4

The Economic Impact of FCPS' 2017 Budgeted Outlays
on the Commonwealth of Virginia
(in millions of 2016 dollars)

| Budget Category | Total Outlays ¹ | Direct Outlays ² | Total Output ³ | Personal Earnings ⁴ | Jobs Supported ⁵ |
|----------------------|----------------------------|-----------------------------|---------------------------|--------------------------------|-----------------------------|
| Capital Outlays | \$178.8 | \$171.8 | \$335.0 | \$104.7 | 2,424 |
| Payroll, W&S | \$1,719.8 | \$1,625.2 | \$2,278.1 | \$380.2 | 14,261 |
| Benefits-Retirement | 495.5 | 298.2 | 557.4 | 93.1 | 3,389 |
| Benefits-Health Ins. | 271.3 | 259.1 | 363.1 | 60.6 | 2,273 |
| Contractor Services | 257.3 | 211.0 | 406.6 | 135.3 | 5,379 |
| Other Outlays* | 63.1 | 63.1 | 121.5 | 45.9 | 1,609 |
| Total Operations | \$2,807.0 | \$2,456.6 | \$3,726.7 | \$715.1 | 26,911 |
| Total Budget | \$2,985.8 | \$2,628.4 | \$4,061.7 | \$819.8 | 29,335 |

Sources: FCPS; GMU Center for Regional Analysis

¹total budgeted outlays by FCPS for FY 2017.

²direct outlays by FCPS in its FY 2017 budget retained in the Commonwealth.

³the total value of goods and services generated directly and indirectly as a result of FCPS' annual capital and operating outlays.

⁴the additional earnings generated from the new economic activities supported by FCPS' capital and operating outlays.

⁵the additional new local and non-local jobs supported by the spending and re-spending of FCPS' capital and operating outlays.

*Other includes county charges, equipment leases and contingency.

FCPS' FY 2017 budget provides a total of \$3 billion in total outlays for capital projects and school system operations with 62 percent of this total being spent in Fairfax County—\$1.15 billion for payroll for FCPS employees living in Fairfax County and almost \$400 million in support of local businesses providing services to FCPS or its workforce (e.g., health and retirement benefits). FCPS is the largest employer in Fairfax County with 24,181 regular employees (reported in 2015) accounting for 3.8 percent of the County's employment base; in comparison, the federal government reported a total of 23,634 employees in Fairfax County in 2015. In addition to its 24,609 regular employees reported in 2016, FCPS employs 1,322 bus drivers and 1,262 food service workers on an hourly basis bringing its 2016

total workforce to 27,193 or 4.1 percent of the County's employment base. Two-thirds of this workforce lives in Fairfax County and spends the large majority of its annual earnings in support of the Fairfax County economy.

FCPS' FY 2017 payroll spending of \$1.72 billion is a major source of its economic impacts that accrue to Fairfax County. With 67 percent of these payroll dollars--\$1.15 billion—being captured within the Fairfax County economy, generating additional spending and re-spending in support of local consumer goods and services and housing, this payroll spending contributes significantly to the County's gross county product (GCP), it generates additional labor income for workers residing in the County that can be re-spent for local goods and services, and it supports jobs in the County and elsewhere in the Commonwealth of Virginia.

This payroll spending and associated direct benefits (health and dental insurance reimbursement) supporting current-year spending and the spending of FCPS retirees living in Fairfax County, and the local economic outlays of FCPS' contractors, will add a total of \$1.8 billion or 1.6 percent directly to the County's GCP, generate new personal earnings totaling \$417.3 million that will accrue to workers who live in Fairfax County and will support 13,271 year-round, full-time equivalent jobs of which an estimated 7,587 or 57.2 percent will be located in Fairfax County. All of these jobs and new personal income are in addition to FCPS's direct employment and payroll.

In addition to being a major employer and an important source of personal earnings in Fairfax County, FCPS' annual expenditures generate jobs and personal earnings in local businesses that provide direct services to FCPS as well as in local businesses that are patronized by and benefit from the spending of FCPS' employees. These transactions support Fairfax County's economy beyond the value of its direct line-item expenditures. As reported in Table 3, FCPS' total spending in Fairfax County of \$1.85 billion during FY 2017 will contribute a total of \$2.21 billion to the County's gross county product—its economy—reflecting an aggregate multiplier of 1.196 (this multiplier accounts for the loss of spending power due to payment of income taxes on payroll earnings).

This total output value will constitute 2.0 percent of the County's projected \$113.6 billion GCP in 2016 (IHS Economics Inc., October 2015). Two percent of the County's GCP represents a significant source of economic activity, second in size behind the federal government's total County economic impact. No private business located in Fairfax County individually accounts for as much as one percent of the County's GCP.

In summary, the Fairfax County Public Schools has been shown to be a major source of jobs in Fairfax County directly:

- accounting for 4.1% of all jobs in the County and indirectly accounting for additional 1.2% of the County's jobs base and, combined, FCPS' FY 2017

outlays in Fairfax County will directly or indirectly support a total of 5.3% of the County's at-place employment; and

- generating personal earnings (payroll) totaling \$1.72 billion, of which an estimated 67% or \$1.15 billion would be earned by FCPS employees residing in Fairfax County and indirectly generate \$417.3 million in personal earnings that would accrue to non-FCPS job-holders residing in the County; combined, these personal earnings retained within the Fairfax County economy would represent 1.7% of its estimated total personal income from all sources in 2016.

In conclusion, FCPS' FY 2017 budget has been shown to represent a significant contribution to Fairfax County's Gross County Product and to constitute a major source of jobs and personal earnings accruing to workers residing in Fairfax County. These levels of benefits make the Fairfax County Public Schools the County's largest employer in the County and second most important source of economic activity in the County following the federal government. Significantly, FCPS' economic impacts captured to the benefit of Fairfax County are far more broadly distributed across the County's economy than are the economic impacts generated by federal government employment and procurement outlays.

FCPS' economic benefits are realized by a wide cross section of local-serving business establishments on "Main Street" patronized by the more than 18,000 FCPS employees living in Fairfax County and the 7,587 plus other local jobholders whose employment depends indirectly on or is induced by the outlays of FCPS in Fairfax County. Additionally, FCPS' contractor outlays support a wide range of locally based businesses that provide the goods and services needed to operate and maintain the County's public schools and their capacity to educate Fairfax County's workforce of the future.

